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McFarlane Tells of Reagan Role in Contra, Hostage Efforts

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Former national security adviser Robert C. McFarlane provided new details yesterday of President Reagan's close involvement in Iran-contra operations, including fund-raising from Saudi Arabia for the Nicaraguan rebels and proposed ransom payments for American hostages in Lebanon.

In usually impassive responses to nearly seven hours of questioning, the man who was Reagan's top White House foreign policy adviser for two years laid out the extensive efforts made by the president and his top aides to assure that the contras would remain a viable fighting force after Congress cut off most U.S. military aid in October 1984.

McFarlane, who was national security adviser from October 1983 until December 1985, continued to play a key role in the clandestine sale of arms to Iran after leaving the White House. Once the operation's secrecy was breached last November, he gave several conflicting accounts of past events and in February attempted suicide, reportedly despondent over the public humiliation that the scandal had brought to the administration.

As the second witness in the televised congressional hearings, McFarlane yesterday provided the House and Senate investigating committees with new information about Reagan's knowledge of early clandestine initiatives to free the hostages—efforts that ran counter to public administration policy.

For example, the president approved and the attorney general authorized a June 1985 plan to spend \$2 million to ransom two American hostages in Lebanon. According to a partially declassified "top secret eyes only" National Security Council document, \$500,000 was to be paid as "bribes" and the remaining \$1.5 million was to be made available as soon as the hostages were released.

McFarlane also disclosed that Reagan personally intervened with the head of a Central American country to unblock a shipment of arms for the rebels that had been seized by a local military official. The arms were then released, McFarlane said.

The former national security adviser made clear that the president had detailed knowledge of, and may have participated in, the effort to raise urgently needed funds from other governments to tide over the contras until Congress relaxed its restrictions.

In 1984, when McFarlane told the president in a private note hidden from other close advisers at a daily briefing that the Saudis had agreed to donate \$1 million a month to a contra bank account, Reagan returned the note with an expression of "satisfaction and pleasure," the former official testified.

The following February, Reagan met privately with King Fahd of Saudi Arabia in the president's White House quarters. A day or two later, McFarlane said, the president expressed "gratitude and satisfaction"—but not "surprise"—on learning that the Saudis had agreed to double their \$1 million a month contribution to the contras.

McFarlane also presented a picture of the president's knowledge of the early stages of the controversial arms sales to Iran that conflicted with what the president told the Tower review board in January. Reagan, who amended his account twice, ultimately told the board that he could not remember authorizing the first shipment from Israel, and that he had not been told that it was related to the release of hostages.

McFarlane testified that as early as September 1985, Reagan was told in advance that a shipment of Israeli-owned U.S. weapons had taken place and a hostage would soon be released. The president, McFarlane said, had given him the authority to allow the Israelis to

ship U.S.-made weapons at a time when such sales were barred by law under a presidential executive order and the United States was seeking to prevent other countries from shipping advanced arms to Iran.

The former adviser reported that he received a call about Sept. 10, 1985, from his Israeli contact, David Kimche, the director general of the Foreign Ministry. Kimche informed him that Israel, under an authorization that McFarlane said was given by the president, had shipped 508 U.S.-made TOW antitank missiles to Iran.

Kimche told him, he said, that "the United States could expect one hostage to be released within a couple of days."

Asked by Kimche to choose one of the five U.S. hostages then held by pro-Iranian extremists, McFarlane said he chose "Mr. Buckley," a reference to the captured Central Intelligence Agency official William Buckley. In fact, Buckley had already died. In his place, the captors released the Rev. Benjamin Weir.

Asked by Senate Counsel Arthur L. Liman, "Did you report to the president that, as a result of the Israeli shipment, a hostage would be released?" McFarlane replied, "Yes, I did."

Responding to McFarlane's testimony yesterday, a White House spokesman said that Reagan has been "steady and steadfast" in supporting the contras, but has never

condoned illegal support. Chief spokesman Marlin Fitzwater, who had indicated earlier that he did not intend to comment on day-to-day developments in the hearings, declared that he was concerned by a perception that any support for the contras was "wrong or immoral."

Congress set a limit of \$24 million spending for intelligence and other support of the contras in October 1983, and, after disclosures about the CIA-backed mining of Nicaraguan harbors, refused to ap-

prove further aid. Funds for intelligence operations ran out in May 1984, and no further U.S. assistance for the rebels was forthcoming until \$27 million in humanitarian aid was approved at the end of 1985.

McFarlane testified that he warned his staff that members "were not to solicit, encourage, coerce or otherwise broker financial contributions to the contras. I took this to be the Congress' foremost concern, having worked with many people involved in the drafting of legislation in the months before."

However, McFarlane described how he himself had become involved in seeking help for the contras from third countries.

In February or March 1984, he said, he approached the representative of a country referred to in yesterday's testimony as "Country One"—and believed to be Israel—about its taking over the training and financing of the contras. McFarlane testified that the discussions came in the context of the other country's "specific interest" in qualifying with the U.S. government as a provider of water resources and agricultural aid under the Reagan administration's Caribbean Basin Initiative.

In a March 27, 1984, memo to McFarlane, the late CIA Director William J. Casey, noting "possible difficulties in obtaining supplemental appropriations to carry out the Nicaraguan covert action project," declared his "full agreement that you should explore funding alternatives with . . . the others."

McFarlane, in his testimony, said Casey was referring to "Country One." However, Country One turned down the overture, McFarlane testified.

In the same memo, Casey also

suggested establishing a "foundation" run by a private U.S. citizen who could collect "nongovernmental funds for disbursement" to the contras. A year later, White House aide Oliver L. North wrote in a memo to McFarlane that a "tax-exempt fund" was already under way, according to the Tower review board.

During the last two weeks, the head of a tax-exempt foundation and the president of a Washington public relations firm have pleaded guilty to conspiracy to violate tax laws in connection with raising U.S. tax-exempt funds that went to the contras to buy arms.

One of the strongest themes to emerge from yesterday's hearing was that vital national security information was constantly withheld from top Cabinet-level officials. Those officials in turn, and apparently by design, failed to press for more information.

McFarlane revealed, for example, that he did not advise Secretary of State George P. Shultz of the February 1985 Saudi donation to the contras until his successor, Vice Adm. John M. Poindexter, provided the information to Shultz 17 months later.

When asked why, McFarlane said: "I think I should have. Probably oversight. Just an error. I mean, I had no personal inhibition about him."

Earlier, when McFarlane had himself arranged for the first Saudi contribution, he advised Shultz and Defense Secretary Caspar W. Weinberger at a regular Wednesday breakfast meeting that contra funding—a major concern of the Cabinet until then—had been "provided through the end of 1984."

"Neither gentleman pressed the matter further," McFarlane said.

He also described "System Four"—a special category of NSC document held in one file, separately numbered and delivered by an NSC employee who waited while the document was read, then returned it to the file.

The hostage ransom program was described as a Drug Enforcement Administration operation in a June 7, 1985, memo from North. The memo said DEA operatives would have paid money to captors and others aiding in their exit from Beirut. North wrote, "It is assumed that the price cannot be negotiated down given the number of people requiring bribes." He said DEA and an unidentified "other group" believed that this effort would free at least two hostages.

The initial travel money for the DEA officers had been taken from funds contributed to the contras, North wrote.

Liman closed the hearing with a quote from a McFarlane memo to Poindexter written shortly after the Iran-contra operation was exposed. "I lived through Watergate, John. Well-meaning people who were in on the early planning of the communications strategy didn't intend to lie but ultimately came around to it."